

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NIC #9084-82
9 November 1982

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: NIO/Economics

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SUBJECT: NSC Meeting on Shultz Initiative

1. The NSC meeting was called to decide which set of sanctions against the USSR the US is prepared to lift, as part of the package deal negotiated with the Europeans by Secretary Shultz, and how to present the US decision to the public.

2. There is agreement between the US, the Seven, the European Community, and the NATO countries on the latest version of the Shultz "non-paper." I gather that the agreed version is nearly identical to the one attached. There is not yet agreement on what to say to the public and our Allies do not know precisely which sanctions the US is prepared to lift. The European Community countries agreed among themselves on a public US statement they would be prepared to support, but it is probably too vague to suit us.

3. Norm Bailey of the NSC staff told me that the following options will be considered at the NSC meeting:

- (1) Lift all oil and gas sanctions--this is apparently Treasury's and Commerce's preferred option.
- (2) Limit sanctions to oil and gas equipment and technology unique to US firms and involving contracts signed after December--I believe this is State's and NSC's preferred option and, until recently, was also supported by Commerce. It eliminates retroactivity but retains a potential element of extraterritoriality, since the sanctions on unique technology would cover foreign subsidiaries of US firms.
- (3) Same steps as in (2), except that the President would publicly emphasize that the US decisions to reduce sanctions were of a temporary nature, and that their continuation would be contingent on the outcome of the studies agreed upon with the Allies.

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(4). Maintain all the June sanctions (I do not have all the details on this option)--supported by DOD.

4. A brief options paper will be distributed at the NSC meeting. I personally favor Option (2). Option (3) runs a high risk that some of the Allies, especially the French, will take public exception to the President's statement, and that the entire agreement will collapse. Option (1) is clear, but hard to justify publicly because of the situation in Poland.

5. I understand that, after a decision at the NSC meeting, the US will brief the foreign Ambassadors tonight; the President will make a public announcement tomorrow morning; following which there will be more detailed discussions.

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Attachment,
As stated

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